CRM Integration across Marketing, Sales, and Service

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Introduction

Today's organizations increasingly seek to drive corporate performance by maximizing the value of their customer relationships. Technology is a key component of any customer-focused strategy. Beyond technology, however, many companies fail to appreciate the importance of developing specific, well-defined, and integrated business processes focused on the customer.

According to Forrester, "To get CRM right, firms must learn to operate new, multiorganizational business processes that support the customers' scenarios."[1] Siebel Systems understands what companies must do to have a successful, customer-focused strategy. This paper focuses on helping customers achieve that level of success through discussion of the following:

- The importance of developing customer-focused processes
- Eleven key customer-focused processes
- Success factors associated with implementing process change

[1] Forrester, May 2001, *Organizing to Get CRM Right*.

The Importance of Developing Customer-Focused Processes

Processes are an integral part of any strategy. However, business processes in place prior to developing a customer focus will likely require realignment and oftentimes complete revisions to support the new strategy. Many companies have not connected the link between satisfied, loyal customers and the processes required to satisfy and inspire loyalty in these customers.

Realigning and revamping processes to be customer-centric will enable more successful technology implementations and will, in turn, lead to higher levels of customer satisfaction and retention. With customers defecting at a rate of 10 to 30 percent per year, customer retention is an absolute necessity.[2] Companies can no longer rely on old-fashioned tactics; business leaders must decide to implement processes that convince customers their companies are indispensable—in essence, companies must ensure that the switching costs are too high to go elsewhere. Again, technology is a key enabler in executing this strategy, but the appropriate processes must be in place to ensure successful business transformation.

When revising CRM processes, it is critical to note that these processes span across marketing, sales, and service functions affecting employees, partners, and customers at all points of interaction in the relationship cycle.

[2] Software Magazine, August 2001, *CRM: Finder's Keepers*, Alan Robert Earls.

The Difference between Front- and Back-Office Processes

During the past 40 years we have seen tremendous change occur in global business. In the late 1960s and 1970s, companies built large conglomerates—sprawling organizations that operate across a number of industries and customer segments.

The 1980s saw the rise of corporate raiders who, through the use of junk bonds, leveraged companies with debt, broke them up, and forced them to focus on a specific industry and customer segment.

The rise of the Japanese kaizen in the 1990s drove western business to become even more focused on running their businesses more efficiently and effectively. All business leaders were compelled to worry about the infamous Y2K problem of having their entire IT systems shut down at the fatal “click over” to the year 2000. Business reacted by reengineering their processes, implementing ERP systems, and pushing more responsibility down the organization, empowering business units by decentralizing authority and decision-making. This created leaner, meaner companies and focused the basis of competition on cost.

As the 21st century begins, businesses are once again looking at how to create competitive advantage. It is clear that the advantages created in the 1990s have disappeared. The focus of that decade, reengineering and ERP, have proven to be easily copied, creating nothing more than simply the next “table stakes.”

Increasingly, it has become apparent that customers expect to be treated as individuals, based on their relationship history, strategic importance, and sophistication. The commonplace terms of service and support have gained importance not only from order management and fulfillment perspectives (back-office processes), but also from customer interaction and experience perspectives (front-office processes).

Fundamental Differences between CRM and ERP Applications/Processes

The purpose of highlighting these differences is not to make the case for either one of them as superior to the other; rather, the goal is to understand the context of how and why CRM and ERP applications/processes are substantively different yet critical to achieving enterprise objectives.

At the most basic level, ERP applications/processes are internally focused, stable, predictable, and controllable and are used for capturing, aggregating, and reporting data that exists and is created through internal operations (for example, accounting, finance, manufacturing, and operations). Conversely, CRM applications are externally focused, unstable, driven by customers (making them unpredictable), and used for capturing and analyzing information generated from interactions between internal resources such as employees and external parties such as prospects, customers, and partners.

ERP applications/processes can be (and historically were) glass-room operations, whereas CRM applications/processes require usage from all customer-facing employees and therefore transcend the boundaries that exist across functions, departments, units, and geographies—just as customer interactions cut across functional, product, channel, and regional silos.

ERP applications/processes, when deployed at the enterprise level, can do wonders for improving efficiencies and reducing costs. However, CRM applications/processes, when similarly implemented across the enterprise, track customers, cycle times, and throughput of the front office. CRM applications/processes are critical to understanding customer needs and improving customer experiences through shared customer knowledge—areas where ERP processes/systems lack leverage.

While there are numerous differences between ERP and CRM, the key points are the following:

- ERP and CRM applications/processes are fundamentally different, and yet both are strategically important to achieving corporate objectives
- Improving efficiencies and optimizing operations are not enough to achieve customer satisfaction, unless knowledge of the customer is effectively captured and utilized to deliver competitively superior products and service

The Core Processes of CRM

The notion of achieving a higher level of customer satisfaction and creating lasting customer relationships requires robust processes and efficient linkages between company and customer (CRM), company and employees (ERM), and company and partners (PRM).

- **CRM**—CRM success requires effective marketing, sales, and service to customers. The goal is to share a single view of the customer across all touchpoints and interactions before, during, and after the sales cycle. Customers do not understand silos, nor do they have the patience to identify and explain themselves every time they contact a call center, talk to a representative, or visit a Web site. Therefore, it is incumbent upon marketing, sales, and service managers to track customer history, interactions, behavior, and preferences and use this knowledge to build the relationship. The table below lists the key CRM process steps for each of these three customer functions:

Marketing	Sales	Service
Customer Segmentation	Sales Force and Forecast Mgmt.	Service Delivery
Campaign Management	Account Management	Inquiry and Service Resolution
Marketing Content Management	Opportunity Management	Customer Satisfaction Measurement
Customer and Transaction Analysis	Order Management	

- **ERM**—ERM can enable a company to align the behavior and initiatives of its employees to achieve increasing levels of customer satisfaction. In the process, employee satisfaction increases due to improved awareness of how their jobs contribute to corporate objectives and higher rewards for delivering superior results. The table below lists the four key ERM processes and related steps:

Planning and Management	Training and Development	Communication and Information	Support
Performance Management	Training Management	Content Design	Project Management
Compensation Mgmt.	Competency Management	Content Delivery	Employee Help Desk Support
Departmental Budgeting	Hiring and Recruiting		Employee Management
			Time and Expense Mgmt.

- **PRM**—When executed effectively, PRM can enable partners to operate as an extension of the company. For the customer, the expectations are that the partner is a part of the company and that the interaction should be just as smooth and efficient as it would have been with the company directly. To ensure PRM success, the company must provide the partners with the same vision and information as it does to its own customer-facing employees. The tools, training, incentives, and performance measurement should enable partners to act precisely and effectively when dealing with customers. The table below lists the four key PRM processes and related steps:

Partner Relationship Management	Marketing	Sales	Service
Partner Life Cycle Management	Channel Marketing, Planning, Budgeting, and Analysis	Opportunity Mgmt.	Service Delivery
Market Development Fund Management	Collaborative Campaign Management	Account Mgmt.	Customer Satisfaction Measurement
Partner Incentive Programs	Hiring and Recruiting		Employee Management
Performance Mgmt.			Time and Expense Mgmt.

Successfully acquiring, retaining, and servicing customers requires that the high-level processes listed above for CRM, ERM, and PRM are in alignment. Front-office success is ensured through the flawless execution of processes and a solid understanding of how these processes work, both independently and interdependently.

New Paradigm: CRM Helps in Creating Sustainable Competitive Advantage

In markets where competition is nonexistent, monopolists need not worry about quality, price, or customers for their products. However, in most markets such situations are rare and short-lived. Customers typically have many choices available to them. However, one thing that is clear is that customers are oversupplied and underserved. The market for bottled water, for example, has hundreds of brands, and the number is growing.[3]

Retaining customers has become increasingly difficult with the proliferation of competition combined with reduced switching costs for customers. Building it better, faster, and cheaper than the competitor is no longer sufficient—customers expect high-quality products at lower prices and also expect to be treated as individuals, based on their relationship history, strategic importance, and sophistication.

During these competitive times, there are companies sustaining above-average returns.

Case Example: Southwest Airlines is the seventh-largest carrier, in terms of passengers and revenues, yet its market value of $10.5 billion is almost the same as the market value of all other major airlines combined.[4] Southwest managed to make profits in 2001 without any layoffs, whereas other carriers laid off employees and lost money. How is it then that Southwest is able to deliver positive returns and avoid layoffs in an industry where every other airline is struggling to survive? There are numerous factors—for example, a standardized fleet of 737s; smaller, less-congested airports; quicker service at the gates, and so on. Nevertheless, these are things that could be imitated by competition. But there are two other factors that deliver a competitive advantage to Southwest: company culture and relationships the company has with its customers.

GE and Charles Schwab have, over the past decade, consistently outperformed their competitors. A principal strength behind the success of these organizations is an unrelenting focus on customer satisfaction. Employees of these organizations know what their customers want and deliver it consistently. From a CRM perspective, investing in learning about customers and then applying this intelligence to serve them in ways superior to competitors results in profits for the company and higher levels of customer satisfaction.

In summary, the two sources of a long-term, sustainable, and competitive advantage are:

- Corporate culture that fosters ownership and customer care
- Customer relationships that offer more value to customers than what is available elsewhere

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3 This $35 billion worldwide industry continues to grow as water-quality concerns and fitness and health awareness increases. Bottled water sales in the U.S. rose 9.3 percent in 2000 to $5.7 billion, according to Beverage Marketing Corporation, a New York-based research and consulting firm.

4 The New York Times, September 25, 2001.

Process Alignment, Integration, and Measurement Are Key to Front-Office Success

The notion that CRM only affects marketing or sales professionals is no longer valid. Today, every resource (employees or partners) that interacts with customers or participates in delivering value (products or services) to customers requires a single, comprehensive view of the customer. If the goal is to offer different parts of the company seamlessly to the customer, then flawless execution across CRM, ERM, and PRM processes is a necessity. To achieve such performance, companies need to:

- Measure the baseline level of process performance
- Understand the linkages across processes and interrelationships among processes
- Evaluate how technology, business rules, and workflow can impact efficiencies
- Consider requirements for retooling/retraining employees
- Secure executive commitment
- Measure performance on an ongoing basis to handle exceptions and variances

Companies must not rework or revise processes piecemeal. Instead of revising customer-facing processes one by one, companies should analyze the interrelationships and dependencies between processes. Processes do not exist in isolation; therefore, ignoring how a process works in conjunction with other processes across the organization's ecosystem results in both inter- and intra-departmental bottlenecks, mismanaged handoffs between groups, misinformed participants across an organization, and even worse, completely uninformed participants.

CRM initiatives extend beyond just deploying an application; rather, successful CRM undertakings require integration across technology, people, and processes in ways that deliver significant (and competitively superior) benefits for customers.

The following is a list of salient points regarding front-office success:

- Front-office processes are different from back-office processes; therefore, systems that serve one cannot serve the other effectively
- CRM success requires alignment of processes that are customer-centric, employee-centric, and partner-centric
- Changes in the business landscape and the ever-increasing intensity of competition require companies to develop long-term, sustainable competitive advantages
- Culture and customer relationships are the only two long-term, sustainable competitive advantages that enable companies to outperform the competition
- Changes in one process may affect another process; therefore, companies should not revise processes one by one
- World-class CRM initiatives integrate technology, people, and processes to deliver superior value to customers and as a result, enable lasting customer relationships

Eleven Key Customer-Focused Processes

Siebel Systems has identified 11 key processes to examine across marketing, sales, and service as part of a comprehensive CRM strategy. As figure 1 shows, these processes should be examined as part of a whole network of interrelated activities in order to manage and deliver superior customer relationships.

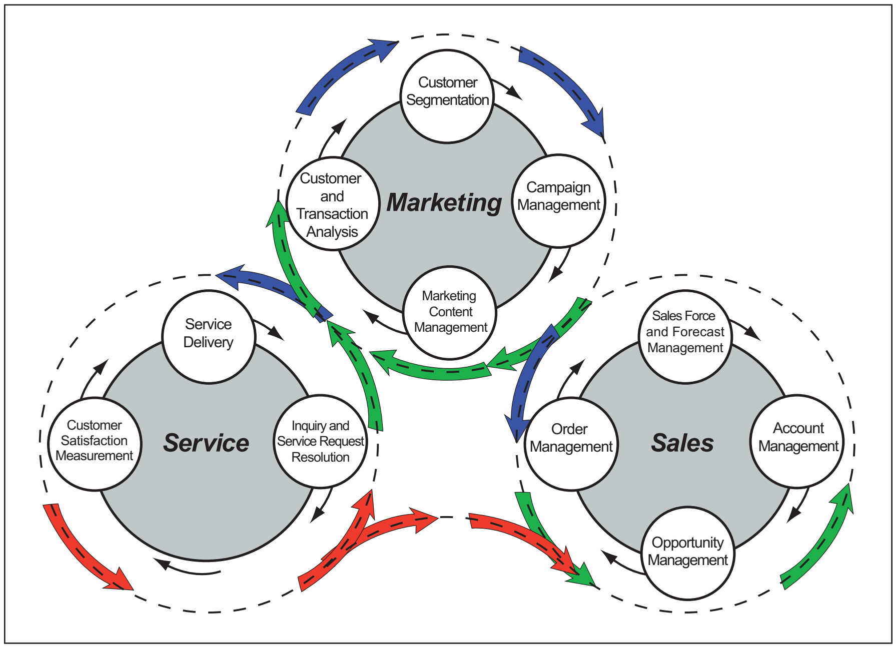

Figure 1: Shown above are the process interrelationships across marketing, sales, and service functions.

Marketing

The days of one-size-fits-all mass marketing are over. Companies today are under increased pressure to deliver a comprehensive, closed-loop marketing solution to maximize the value of every interaction and relationship. Evaluating and revamping a company's marketing processes will result in higher campaign ROI, lower campaign execution costs, stronger relationships with customers, and increased customer satisfaction and retention.

Siebel Systems identifies the following processes as central to successful marketing efforts:

- Customer segmentation
- Campaign management
- Marketing content management
- Customer and transaction analysis

Customer Segmentation

Mass marketers historically spend the majority of their marketing budgets distributing bulk mailers to individuals they know nothing about. It is no surprise that the ROI on this type of marketing is extremely low. Customer segmentation, however, allows companies to target specific groups that share similar characteristics with tailored messages that meet their needs. This not only enables effective CRM, but it also increases a company's ability to reach high-value customers, ultimately leading to increased revenues and dedicated customers that feel their specific needs are addressed.

The objective of purposeful segmentation is to group customers based on their similarities and differences with respect to:

- Lifetime value and loyalty
- Channel preferences and expectations
- Product/service needs and usage requirements
- Demographic/psychographic profile

A prerequisite to effective segmentation requires a more complete understanding of a company's customer base, which can be obtained through customer profiling, customer profitability analysis, churn/retention analysis, and behavior analysis. Armed with intelligence about who customers are, what they want, how they want to interact, and how valuable they are, companies can prioritize marketing decisions, budgets, and initiatives that will yield the highest return on investment. Effective customer segmentation provides a range of benefits, including:

- The ability to pursue the right customers with the right offers
- Identifying and segmenting customers based on their value
- Meeting customers' service expectations across all channels
- Cross-selling and up-selling customers by knowing their preferences in advance
- Refining marketing campaigns to target those most likely to buy

Customer segmentation case—Jaguar is one automotive brand that is doing an excellent job of segmenting. In fact, Jaguar is targeting a completely new segment for its X-Type, Jaguar's first compact sports sedan in 30 years, making it one of the most significant models in the company's history. Featuring all-wheel drive and a six-cylinder engine, X-Type is aimed squarely at the Audi A4, BMW 3-Series, Lexus IS, and Mercedes-Benz C-Class buyers. Many X-Type buyers are expected to be young adults who cannot afford other Jaguars and like the sporty, upscale Jaguar image. Many buyers are expected to be women who generally like the security of the all-wheel-drive feature but do not want to buy a sport-utility vehicle. Most importantly, the younger segment has never had the financial ability to afford a Jaguar until quite recently. As such, the X-Type is expected to bring customers of this profile into dealerships for the first time who can then be migrated to more expensive, upscale brands under the Jaguar or Ford umbrella in the future.

This example demonstrates the value of understanding a company's current and prospective customer base to identify and serve new customer segments.

Customer segmentation is not easy for most organizations because they lack a single customer view due to decentralized infrastructure environments and nonintegrated application investments. However, customer segmentation is less cumbersome with the right layout of data and analytical rules. Companies must first ensure they have a plan regarding where the data lies and how the data should be integrated or consolidated to deliver insightful information about existing and prospective customers. By having a single customer information system, the marketing department will improve its customer segmentation practices and launch more effective targeted marketing campaigns.

Campaign Management

Campaign management is more than the act of reaching a specific audience with a marketing message. The process begins with the planning, design, and execution of the campaign and ends with effective tracking and reporting of the results. It is also crucial that companies spend time evaluating the success of each campaign throughout the campaign cycle, which oftentimes requires strategic shifts along the way.

To do this successfully, companies must have good customer and/or prospect information, as well as detailed information on campaign progression and closed-loop management processes to measure results (see figure 2). To generate maximum campaign ROI (whether these campaigns are acquisition-focused or retention-based), marketers must pay close attention to how and why actual results vary from goals. Once the underlying causes are understood, successful campaigns should be run multiple times and constantly tracked against historical data and expected results.

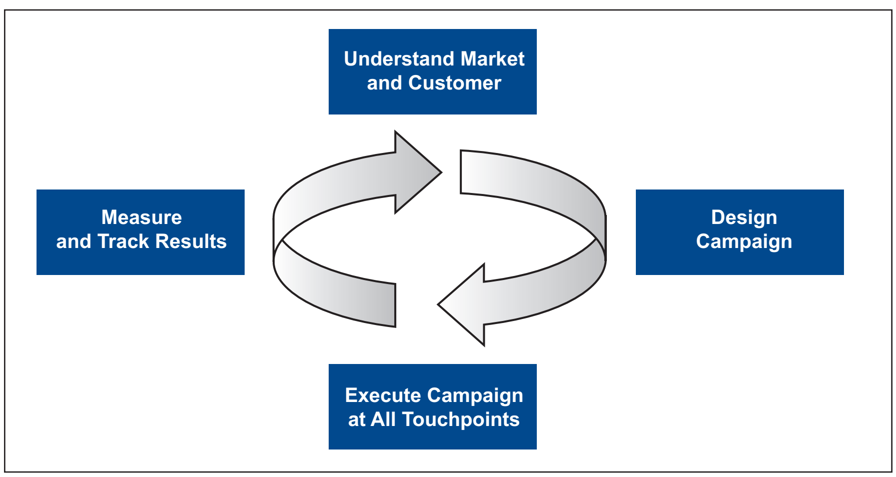

Figure 2: Shown above are closed-loop management processes.

Effective campaign management provides many benefits, including increased response rates to campaigns and solid historical data to be used in future campaigns, thereby reducing costs required for planning and execution. In addition, as companies learn more about their customer base and can target customers more effectively, more deals will close and revenue will increase.

Marketing Content Management

Marketing content is found in print and electronic materials that a company produces, including advertisements, brochures, field service repair manuals, financial statements, Web site information, and price lists. The management of this content requires consideration of two key components: content design and content delivery. For design, the goal is to create consistency, relevance, and accuracy in the message to be delivered. The focus should be on tying content themes and messaging across the brand image, product literature, catalogs, price lists, and channels such as call centers, Web sites, and partners. The other aspect of content management is delivery. The key is to get the right content to the right person at the right time through all groups that interact with customers. To do this, companies must ensure that everyone in the organization and across the ecosystem has access to the same information. A single repository of data allows marketing, sales, and service personnel to share consistent messages in their customer interactions, thereby enforcing the brand and enhancing brand recognition in the marketplace.

When creating new content, companies should have processes in place to ensure that all new messages fit with the overall corporate messaging strategy and that these new documents go through the appropriate approval channels before being released to the public. Without this release process, companies run the risk of sending mixed messages and inaccurate branding to the marketplace, causing confusion and lost revenue opportunities.

Closed-loop processes for marketing content management also allow companies to respond more quickly to changes in the marketplace. Pricing content management, for example, allows companies to change their pricing across all customer touchpoints quickly to help move inventory or respond to competitive threats.

A common, structured approach to marketing content management combined with a single view of the customer provides tremendous benefits by linking specific messages and offers to identified target segments. This structured approach enables clear measurement of results for future campaign optimization.

Customer and Transaction Analysis

Customer and transaction analysis empowers users to leverage all existing data across the organization, provides real-time reporting and insight into all customer and business activities, and is integrated into all other customer-facing processes to varying degrees. This process focuses on providing key constituents in an organization with a comprehensive view of customer behavior, preferences, and trends, typically extracted from disparate sources such as operational, analytical, and legacy systems.

Customer transaction analysis allows companies to understand how to move their customers through the customer life cycle. This requires that companies understand what customers want today and where the company wants its customers to be going forward. Organizations must be able to align their strategies with their customers' needs or have plans to filter these customers out of the life cycle altogether.

Companies depend heavily on analytical tools to view customer interactions, understand their propensities, calculate total customer lifetime value, and develop plans to attract and retain customer relationships. As an example, Cisco executives receive daily alerts based upon trends and conditions related to bookings, billing, revenue, forecasts, head count, and expenses. Benefits derived from this include a complete view of problem areas within the organization and the ability to address them quickly.

With customer and transaction analysis, companies can collaboratively set goals, measure progress, and drive results, as well as take immediate action to enhance productivity, increase customer satisfaction, and allow employees to make both strategic and tactical decisions to improve the longevity of the business.

Sales

Selling can be cumbersome and requires a detailed network of processes to ensure that a salesperson is selling the right product or service to the right person at the right time. Companies should equip their sales forces with adequate tools and effective processes to approach a sale with the confidence and knowledge necessary to close the deal faster than their competitors.

Siebel Systems identifies the following sales processes as central to any CRM initiative:

- Sales force and forecast management
- Account management
- Opportunity management
- Order management

Sales Force and Forecast Management

Sales force and forecast management includes the use of sales methodologies, territory assignment, forecasting, and compensation management. By allowing salespeople to effectively utilize best practices in sales methodologies (including how to initiate a relationship with a contact, how to qualify a contact, and how to identify supporters), they become more adept and consistent at capturing and using relevant information during their sales calls. This translates into improved utilization of sales resources, higher-quality interactions, more accurate forecasting, and improved close rates. Sales methodologies should also be supported by rules related to territories, forecasting, and compensation to deliver desired results.

Territories are the primary way by which an organization directs opportunities and organizes its sales force. Territories are typically defined based on geography, industry, product, or size of the opportunity. Effective territory management is critical to maximizing the use of limited selling resources by ensuring adequate coverage of opportunities, minimizing territory overlap, and matching coverage areas with the most appropriate selling skills.

Once working within a territory, it is critical for salespeople to accurately forecast their deals so that executives see potential revenue opportunities, and operations can adequately plan for an increase or a decrease in sales volume. Executives should be able to view the various stages in their pipeline and have a specific understanding of the likelihood of closure on each deal. Entrance and exit criteria for sales stages must be binary in nature and represent specific, predictable progression toward closing sales. In essence, accurate sales forecasting is critical to effectively manage sales opportunities and inventory requirements and gauge internal and external expectations of future sales results.

Managing the alignment of sales compensation with desired selling behaviors or compensation planning efficiently ensures that sales activity is aligned with corporate goals. In addition, clear and accurate compensation systems allow sales representatives to focus on selling vs. keeping score, yielding higher sales, increased employee satisfaction, and lower sales turnover.

Account Management

Account management involves a set of process steps and tools that enables sales professionals to understand their accounts and manage account relationships over time. Account management begins with a structured way to segment account relationships. From there, account teams must develop specific account plans to identify opportunities within subsegments of the account (geography, business unit, function, and so on). Once a dialogue has been established with a company, it is critical to establish an institutional repository of all account interactions (activity management), so that a company maintains the knowledge about an account vs. having that information reside only in the minds of particular account team members. This approach yields tremendous benefit to an organization by simplifying changes to account team structure, allowing new account team members to get up to speed quickly and avoiding lost institutional knowledge about an account if key members of an account team leave the company.

Account management case—Quick & Reilly provides financial services to more than 1 million customers. The company's 1,200 current financial consultants did not have a uniform system to track events and build a calendar of activities on a daily basis. Through the implementation of Siebel Sales in less than eight months, consultants now have a comprehensive view of their investors. This detailed customer knowledge coupled with key market information allows Quick & Reilly to develop investment strategies to meet customer needs. As a result, the company has increased employee productivity by 15 percent, new customer conversion rate to 50 percent, and customer retention by 10 percent.

A key facet of holding a centralized repository of account information is the contracts management process. Key members of an account need a clear understanding of contractual terms to comply with contractual commitments and ensure timely follow-up when contracts expire.

Opportunity Management

Some companies equate customer relationship management with opportunity management. However, the main goal of opportunity management is to help companies increase sales by allowing selling resources to track all sales and support opportunities within a client organization, as well as help sales teams prioritize and pursue opportunities for quick and effective deal closure.

Opportunity management requires a strategic plan, as well as tactical selling activities. When approaching an opportunity, salespeople must be able to assess an opportunity and determine if that opportunity is, in fact, viable. Siebel Systems uses an approach called Target Account Selling to manage its opportunities internally. This approach involves five steps: 1) assessing the opportunity; 2) defining the competitive strategy; 3) developing the relationship strategy; 4) turning ideas into action; and 5) testing/improving the plan. Following this approach throughout the sales organization allows sales teams to more effectively manage the tactical aspect of sales, such as understanding where a sale is in the pipeline and whether or not the deal has passed through the next binary stage gate. And if the deal has not passed to the next stage, sales teams need to understand what needs to happen before it can be pushed through and what kind of incentive payout can be expected from a deal.

Opportunity management is successful when sales executives have the necessary tools to view the current pipeline of opportunities, set objectives, and manage deal-to-close activities and when sales teams can share current and past activities; identify key decision-makers, influencers, and supporters; and analyze the account's overall revenue and growth potential. In addition to improving the selling effort through shorter sales cycles and improved close rates, effective opportunity management provides executives with a clearer picture of projected sales. In turn, this knowledge can dramatically increase the accuracy of forecasting, which improves future decision-making and the management of external expectations on business performance.

Order Management

Order management begins with the creation of an order and ends with the fulfillment of a product or service. Typical order-management processes include product pricing and availability, order capture and entry, order processing and tracking, and sales and commission reporting, as well as trend analysis. Both salespeople and customers alike benefit from order-management information that is integrated across an organization and filtered into a centralized repository for future selling efforts.

Streamlined order-management processes reduce the selling cycle time and increase order accuracy, yielding improved efficiencies, reduced rework, and reduced courtesy credits. In addition, streamlined order processes can have a significant impact on driving incremental revenue by giving a salesperson more time to focus on selling vs. order-entry administration, as well as improving the likelihood of customer reorders. Gartner estimates that customers can save anywhere between 50 and 70 percent of order rework expenses with a 25 percent or lower order error rate.[5]

Service

The importance of managing customer relationships after an initial sale cannot be emphasized enough. A recent study by McKinsey & Company found that it costs roughly ten times more to acquire a customer than to retain an existing one. As the graphic below depicts, the same study found that it costs companies roughly 100 times more to win back a disgruntled customer who leaves.

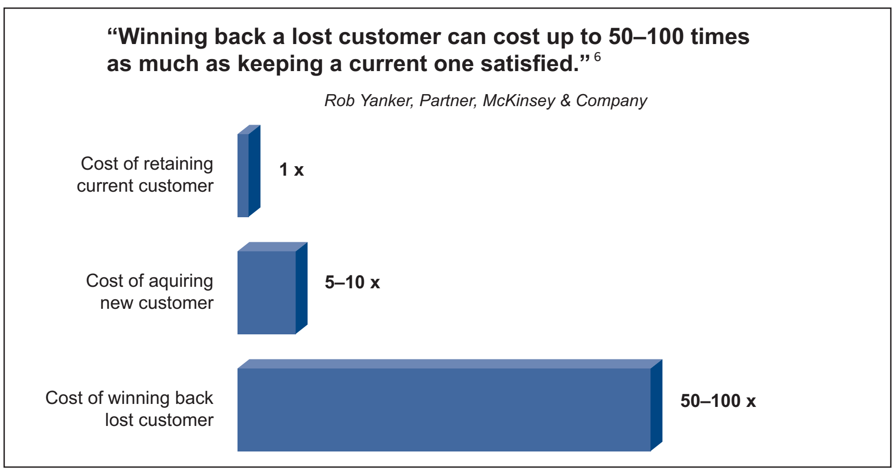

Figure 3: Relative cost comparisons for retaining existing customers, acquiring new customers, and winning back lost customers are shown above.

Customers reevaluate their relationship with a company with every new interaction—from reorders and information requests to service delivery. The goal for a company is to ensure that each new interaction has a positive effect vs. a negative effect. One negative experience can cause a customer to leave, resulting in potentially significant future revenue losses. As the graph below indicates, poor service issues have negatively impacted customer retention in a number of industries.

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5 *Sales Configurators Enhance Revenue and Reduce Costs*, Gartner, December 2001.

6 Rob Yanker, Partner, McKinsey & Company.

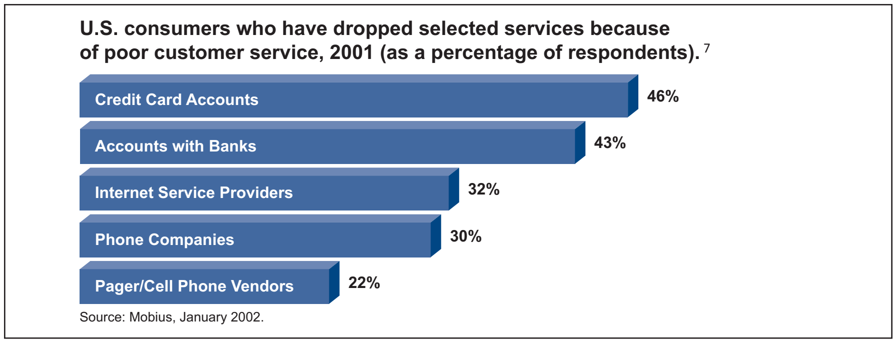

Figure 4: The impact of negative service on selected industries is shown above.

To deliver a world-class service experience, Siebel Systems identifies the following service processes:

- Service delivery
- Inquiry and service request resolution
- Customer satisfaction management

Service Delivery

Service delivery includes both order fulfillment and post-sale service. Order fulfillment involves delivery and installation of products or fulfillment of services and is the first interaction that a customer has with the company after a purchase. As such, this interaction has a strong impact on post-purchase satisfaction and future buying behavior. Whether it is a cable installer at a home or IBM engineers installing a multiprocessor server system at an office, order fulfillment processes must ensure that a company's representatives answer questions, conduct themselves in a professional manner, deliver a desirable solution quickly, and develop a trusting relationship. Doing so will benefit the company through improved customer loyalty and an extended revenue annuity stream.

For manufacturers that outsource fulfillment or use partner resources, the goal of delivering a high-quality customer experience is of paramount importance due to the lack of direct control (and measurement) of the interaction and potential lack of aligned objectives. Furthermore, the service engineer or customer service agent has the unique opportunity to gather valuable information that would otherwise be lost. As an illustration, although many customers of durable goods do not mail in their registration cards, a service engineer can easily collect the requisite information during the fulfillment interaction. Capturing this data and filtering it back to the company will allow marketers and salespeople to more accurately target the customer base for future sales, as well as maintain the data for future service-related calls and visits.

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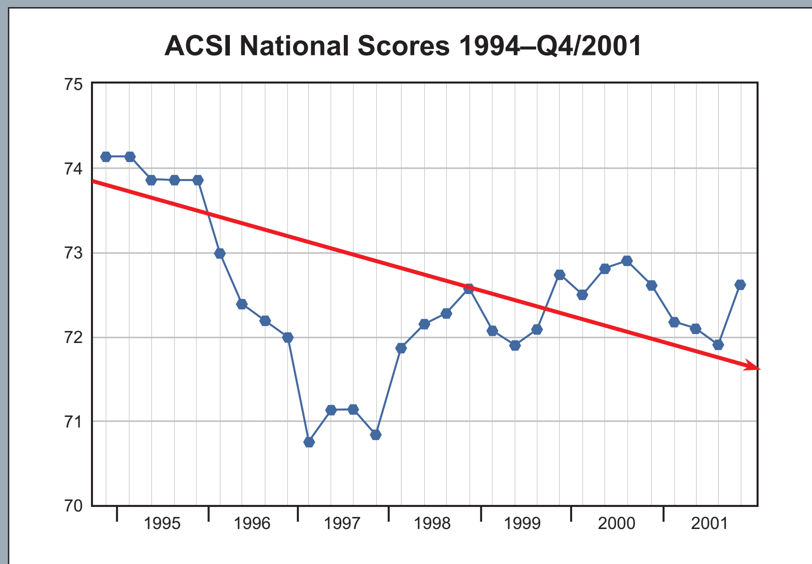
7 *The Cost of Poor Customer Service*, CIO Magazine, March 2002.

This graph from the American Customer Satisfaction Index (ACSI) shows the national index of satisfaction with quality and was compiled by measuring customer satisfaction across 38 industries in nine sectors of the economy. It is updated with new data on a rolling basis for one or two sectors each quarter, replacing data collected in the prior year. The chart depicts how customer satisfaction ratings have changed over the past eight years. Certain industries typically post high customer satisfaction ratings (for example, financial services and parcel delivery), while others continuously post low ratings (for example, airlines and telecommunications). However, there is a noticeable downward trend over time.



Successful delivery and installation of products and services are dependent on managing the activities of the field force and providing them with a comprehensive view of their customers. For example, customer information should be shared between field service engineers and customer service agents to update service level agreements, change schedules, and provide up-to-date customer information on their laptops.

Managing the customer experience for post-sale service, including repairs, warranty calls, and maintenance, is particularly important since the nature of the interaction is often based on resolving an existing problem. The quality and expediency with which post-sale service interactions occur directly impact customer satisfaction with both the product and the service provider. A key aspect of the post-sale service process is prioritizing service calls based on criteria such as service level agreements, customer lifetime value, and urgency. Since many manufacturers and retailers outsource post-sales service, the resources of the outsourced service provider should be equipped to deliver a consistent image and experience that aligns with the brand image of the product. Wireless handhelds, cell phones, and laptops are valuable tools to diagnose the problem, capture and gather information, and update customer records in real time. Benefits of comprehensive post-sale service include more efficient service, higher customer satisfaction, and lower customer churn rates, as well as up-to-date customer information fed back into the corporate repository, allowing for focused marketing and sales campaigns in the future.

In keeping with the durable goods example mentioned previously, a service technician can capture a wealth of customer data while on service calls and feed this customer information directly back to the corporate marketing department through the use of a wireless application. In addition, the technician can strengthen the customer relationship and enhance customer satisfaction by having the appropriate parts on the truck and repairing the problem on the first visit.

Inquiry and Service Request Resolution

Inquiry and service request resolution involves managing incoming customer requests via a call center, the Web, and email and requires both the management of preventative maintenance and problem resolution. Companies that track warranty information can take a proactive approach with their customers, thereby increasing customer satisfaction and limiting field service visits. Customers who do have service-related requests, however, want the convenience of contacting the respective service provider through whatever channels they choose. As a result, Web self-service has become a critical aspect to the inquiry resolution process. Many consumers now expect to find online self-service options that allow them to help themselves to information when they want or need an alternative to conventional service channels. Web self-service is ideal for relatively simple repetitive interactions, such as changing account information, checking the status of orders, and researching products or services. Other than delivering the obvious benefits that result from allowing customers to choose when and how to interact with a company, Web self-service can help businesses achieve greater efficiency and lower customer service costs by reducing call center activity (for example, manual handling and routing).

Beyond Web response to inquiries, companies can enjoy additional benefits if they identify processes that shift interactions to appropriate lower-cost channels. For example, standard inquiries to a field sales person could be shifted to the call center, which is a more cost-effective means of communication for low-touch requests. Similarly, customers could be driven to using email or the Web to ask standard questions or locate the appropriate answers on their own. Both of these channels are even less costly for companies to operate than a call center and should be utilized appropriately for low-value customers and/or low-touch interactions.

Inquiry resolution case—The Dow Chemical Company, which currently handles tens of thousands of customer inquiries a day across all channels—including face to face, telephone, email, and the Web—did so without a comprehensive view of its customers. This led to disconnected and multiple interactions across business functions, lower customer satisfaction and higher customer defection rates, and ultimately lost revenue opportunities. To combat this issue, Dow implemented Siebel Call Center, Siebel eService, Siebel Sales, and Siebel Service. Dow's customers can now review, update, or add service requests and search knowledge bases, and these systems are seamlessly integrated with the rest of Dow's customer-facing channels. As a result, the company's relationships with its customers have improved and have led to streamlined communication channels that allow employees to work more efficiently.

Customer Satisfaction Management

Customer satisfaction management begins with the process of establishing relationships with customers and attending to their needs in an effort to keep them loyal and satisfied. It is not enough to simply react to their needs—companies must also proactively gather customer information with every interaction and use this information to market to, sell to, and serve these individuals. This constant dialogue between a customer and a company will be mutually beneficial as customers share personal information in exchange for personalized service.

One way to keep a pulse on customer satisfaction is to administer a periodic survey to a company's customer base, asking specific questions about customer satisfaction with marketing, sales, and service. The purpose of this activity is to understand what a company is doing well and what should be changed going forward before unhappy customers are lost to the competition altogether. This not only allows a company to proactively head-off potential issues, but it also demonstrates a commitment to the customer base, thereby promoting deeper customer loyalty.

Once the survey results are tabulated, the executive team should carefully review trends and determine what action is needed to rectify problem areas, and management should have proactive initiatives in place to address areas of high concern—these initiatives should be communicated and enforced company-wide. To further enforce the importance of customer satisfaction across the organization, compensation for customer-facing employees should be tied directly to future customer satisfaction scores.

The goal is to increase customer satisfaction, which will lead to loyal customers with repeat business. In fact, based on Siebel Systems' experience, a 1 percent increase in customer satisfaction translates into a 3 percent increase in market cap.[9] So, to achieve a competitive advantage and maintain long-term success in today's economy and in the future, effectively managing customer relationships both proactively and reactively is critical.

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[9] *Siebel, The Magazine of eBusiness*, Volume 5, No. 1, pg. 20, April 2001.

Success Factors Associated with Implementing Process Change

To successfully implement customer-centric processes, companies must first take certain steps to pave the way for change. Without these fundamental building blocks, the benefits of strategically planned processes may never be fully realized.

The success factors associated with implementing process change are as follows:

- **Understand the cycle of change**—It has been said that ideas look great on paper, but nevertheless discontent and dissatisfaction with the change process sets in as soon as unexpected problems surface during execution. Understanding the five stages in the cycle of change will help managers cope with shifting emotions and behaviors. The cycle of change starts with "uninformed optimism," when ideas look great on paper. The next stage occurs when "informed pessimism" replaces optimism as few solutions are obvious. Then "hopeful realism" sets in when a sense of accomplishment replaces pushing against problems. A fresh burst of energy appears in the fourth stage of "informed optimism," when things begin to look positive. Finally, the fifth stage in the cycle of change, "rewarding completion," signals that the official change process is complete.

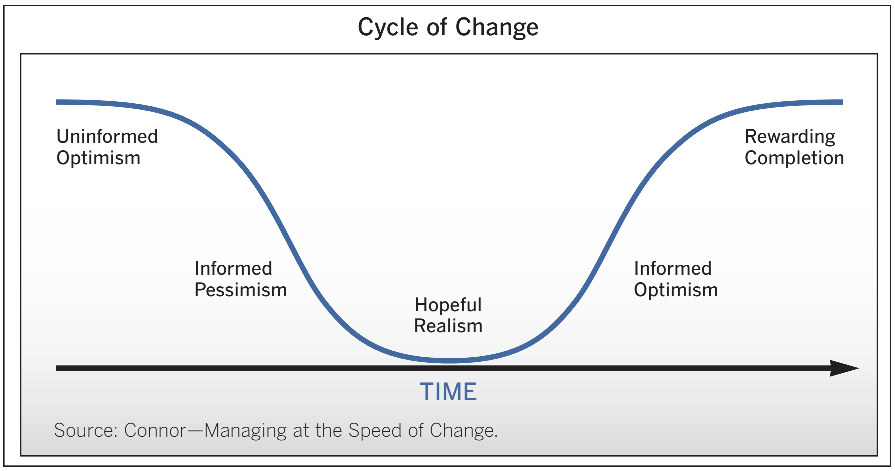


Figure 5: Shown above are the five stages in the cycle of change.

- **Characterize change**—Executive leadership should create a context by which the organization can identify with the key reason for implementing change—it could be a problem the company needs to react to that is necessitating change or an opportunity the company proactively prepares for that requires change. The manner in which change is characterized determines how well an organization will respond emotionally and behaviorally. Executives should publicly announce the initiative, declare why such a shift is important for the company going forward, and discuss how individuals will be held accountable for the initiative's success. Middle management should then be assigned responsibility for enforcing the day-to-day activities required to see the initiative through to completion and provide scheduled reports to senior management tracking the progress.
- **Discuss change**—It is a natural human response to fear uncertainty. Since change causes uncertainty by affecting the tried and tested ways of doing things, there exists a natural proclivity for employees to resist change. It is therefore critical that everyone affected by the change understands not only the reason for change but also how, when, and where the change will occur. Without regular communication regarding progress, companies risk their employees' focus shifting to other matters inconsistent with company priorities. Employee portal messages, internal email campaigns, broadcasted voicemails, weekly meetings, and/or company newsletters are effective means to deliver the message and align behavior to goals. People should be made to feel part of the change process and should be

provided with opportunities to discuss, debate, and express their concerns. The greater the understanding of how the change will take shape and how it will impact existing roles and responsibilities, the lower the resistance will be.

- **Manage change**—People require empathy as they struggle with changes occurring in their activities, processes, and workflow. They also need training, information, and coaching to go through the required changes smoothly and quickly. The change-management team should offer ideas, insight, and support throughout the change process. Being aware of how the change is being perceived by employees and understanding their concerns is just half the battle. The other half is in proactively communicating relevant information and resolving these conflicts as, or better yet, before they occur. During change, employees need to know how the planned changes will impact process cycle times, activities, and outcomes. Many change efforts take longer and cost more due to autocratic behavior from executives who avoid confronting issues that need resolution. The dissemination of quality and timely information is the cornerstone of effective change-management.
- **Influence change**—Change initiatives succeed when the effort is championed by powerful and influential supporters. For those that oppose the change, they either need to be converted to become champions or boxed in to minimize their negative influence. The change management team can identify the key stakeholders in the change process and map them on a 2x2 graphic where the x-axis represents support and the y-axis represents power. The resultant stakeholder map (see figure 6) will identify four categories of stakeholders: 1. Leverage—high power and high support (these stakeholders are key players and are required for effective change execution); 2. Convert—high power and low support (these stakeholders need to be converted over to support the initiative);

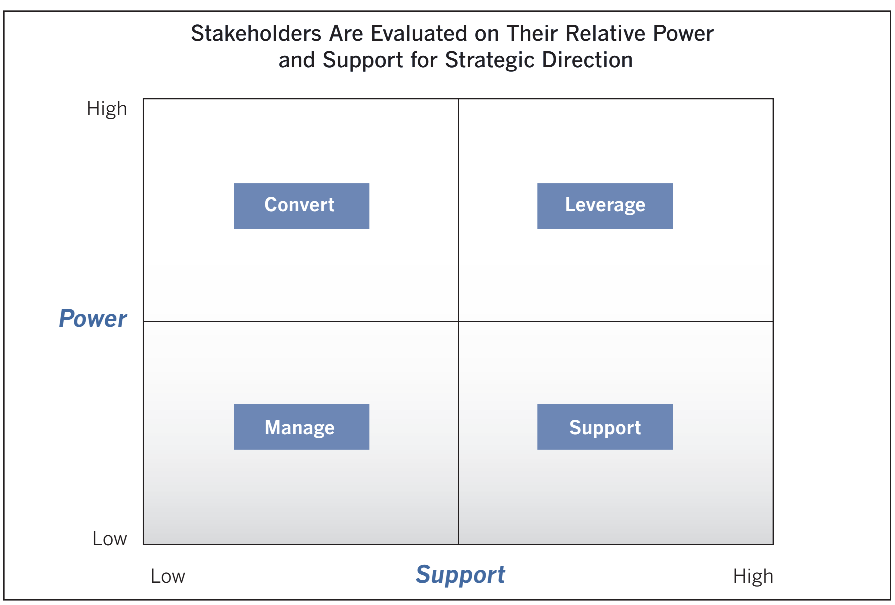


Figure 6: Shown above is a stakeholder map to help analyze the relative importance of stakeholders in managing change.

3. Support—low power and high support (these stakeholders are important supporters and should be effectively used to promote/encourage the change effort); and 4. Manage—low power and low support (these individuals cannot positively impact the change effort and often resist change. As such, stakeholders in this category need to be managed so as to minimize their negative influence).

- **Encourage change**—The two primary levers for encouraging and motivating appropriate behaviors are aligning incentives to the desired behavior and ensuring that management walks the talk. Even the best-laid-out change efforts will fail if people are being compensated for behavior other than that required for the change. For example, if the incentives are based on volume and the goal is to achieve higher profitability, then employees will aggressively discount the product to sell more volume and thereby reduce margins, negatively impacting profits. The other key motivation for employees is to see how their managers behave. For example, if managers reward both early adopters of the new process and laggards equally, then people will have no reason to embrace change quickly.
- **Measure change**—Knowing where you started from (the baseline) and where you end (the result) are fundamental to achieving the goals desired. Equally important is establishing interim goals along the way to keep track of progress and to ensure that the change effort does not stray off course.

With the recessionary economy, heightened competition, and increasing sophistication of customers, companies are required to be quick and flexible. As such, it is critical to understand the characteristics of change—that it is a process, inevitable, difficult, and ongoing—and the demands it places on management (requiring time, involvement, communication, and commitment) to ensure a smooth transition.

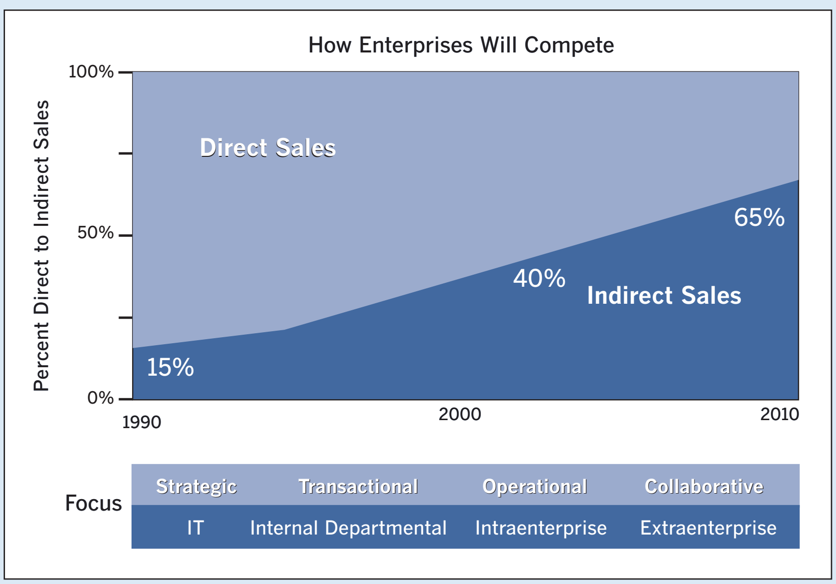
PRM and ERM in CRM

PRM and ERM complete the relationship management space. Both are key aspects of CRM, allowing an enterprise to better manage customer relationships.

PRM is a business strategy for improving communication between companies and their channel partners. Today, companies are leveraging their partners to drive additional revenue, productivity, and customer satisfaction. PRM means more than simply managing sales leads through an indirect channel. In industries such as high technology, consumer goods, and discrete manufacturing, indirect sales partners represent more than 70 percent of total revenue. Based on these percentages, it is clear that partners play an important role in a company's ecosystem, interacting with a company's customers and influencing their satisfaction. PRM helps vendors easily acquire and profile channel partners, launch and track partner programs, manage co-op funds, and provide training information on new products. This solution is a quick win at a low implementation cost, and it is Web-based and accessible from any Web browser.

Companies that implement a PRM solution will notice an improved method of communication and collaboration, as well as an ability to conduct business effectively with their partners, facilitate joint planning and execution, reduce channel conflict across all sales channels, and more effectively sell to and serve the customer.

The Gartner chart below depicts the growing influence of partnerships on enterprises.



Employees represent another key aspect of CRM. ERM allows organizations to be more successful in building and maintaining employee relationships, satisfaction, and productivity. An ERM solution encompasses a multitude of functionality, from setting goals and performance measures to online training, automating administrative tasks from human resources, sharing information with others, and informing employees about key issues and company news.

By employing an ERM solution, companies can increase employee productivity, satisfaction, and sharing of knowledge and best practices while reducing employee turnover and also ensuring that employees have the right information, applications, and services at their fingertips.

To effectively manage customers, companies must rely on informed and satisfied employees, as well as informed and satisfied partners. Together, CRM, PRM, and ERM represent a series of interconnected processes necessary to complete the overall relationship management cycle.

Conclusion

Well-defined business processes are a critical component of any successful CRM strategy. These business processes must be integrated across marketing, sales, and service functions and should include processes relating to business partners and employees to realize the full benefits of CRM. Any process redesign effort must be conducted with an unwavering focus on the customer and with an emphasis on understanding the impact of process change on the customer's day-to-day experiences with a company.

Process change is difficult, as it requires fundamental changes in the daily activities and behaviors of every employee. Success is typically defined by the degree of importance that senior executives place on the initiative in terms of their personal investment and willingness to create and enforce new organizational requirements and related measurement/incentive approaches. Those with the greatest commitment yield the greatest return.

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